

Prime Holding [EGX: PRMH]
Earnings Release
Full Year & Q4 FY22



Prime Holding Announces Q4 and FY22 Results

- Total Fees & Commission Revenues exhibited a 91% YoY upsurge and a 25% QoQ growth in Q4 FY22, chalking up EGP30.9m; whereas FY22 Total Fees & Commissions increased 4% to EGP92.6mn
- Q4 FY22 Consolidated Revenues showed a 75% YoY rise and a 24% QoQ growth, reading EGP34.3mn; inched up 3% on a full-year basis to EGP103.8mn
- Operating Profits turned positive for the first time in ten quarters, recording EGP4.2mn in Q4 FY22, vs. a negative EGP13mn a year ago and a negative EGP3.2mn in the previous quarter; FY22 Operating Losses shrank 57%, reading EGP18.7mn
- Q4 FY22 Net Earnings were a negative EGP10.1mn, affected by a goodwill impairment, as opposed to a negative EGP21.7mn a year ago and a negative EGP20.8mn in the previous quarter, while FY22 Net Earnings came in at a negative EGP58.7mn, 4% wider than the comparable period level

Key Financial Highlights

I. Revenue Analysis

- Q4 FY22 Consolidated Revenues witnessed a solid growth, coming in at their highest level over the last few years, propped up by dynamic brokerage activity.
- Total Fees & Commission Revenues added 91% YoY and 25% QoQ, recording EGP30.9mn in Q4 FY22 versus EGP16.2mn in Q4 FY21 and EGP24.7mn in Q3 FY22, while FY22 Total Fees & Commissions came in 4% higher than the comparable period figure, reading EGP92.6mn as opposed to EGP89mn.

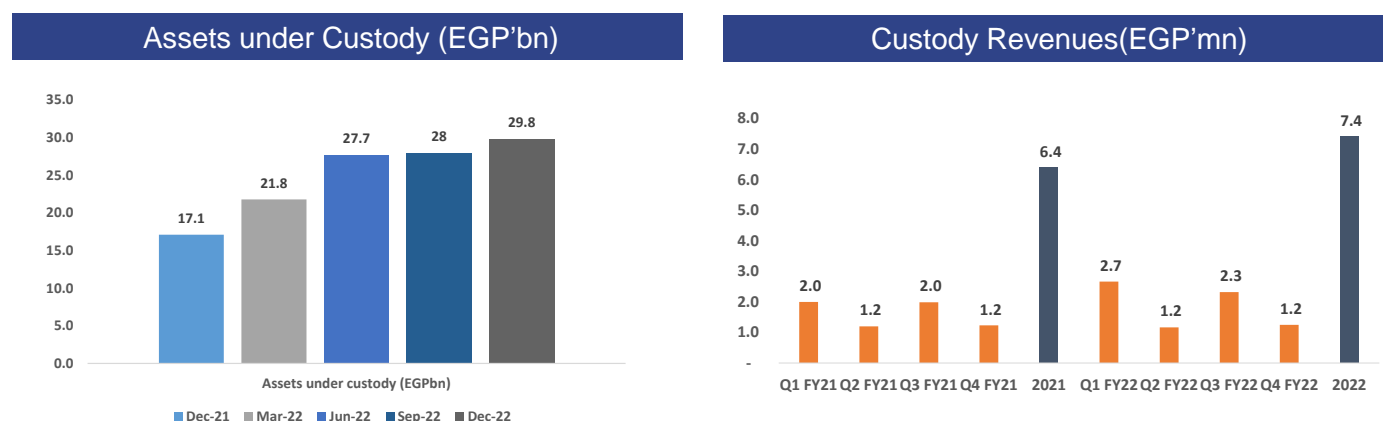
FY22 Consolidated Revenues

EGP103.8mn

| | |
|------------------|-----------|
| Brokerage | EGP46.6mn |
| Asset Mgt. | EGP13.3mn |
| Capital Mkt &Tr. | EGP11.3mn |
| Custody | EGP7.4mn |
| Fin. Advisory | EGP6.5mn |
| Mgt. Services | EGP758k |
| NBF | EGP17.9mn |

- The brokerage activity delivered a strong performance in Q4 FY22, as Brokerage Revenues demonstrated a 105% YoY upsurge and a 55% QoQ expansion, evolving to EGP18.4mn as opposed to EGP9mn in Q4 FY21 and EGP11.9mn in Q3 FY22. Meanwhile, FY22 Brokerage Revenues contracted 5%, reading EGP46.6mn compared with EGP49.1mn a year earlier.
- Similarly, the Asset Management arm reported higher quarterly revenues on both annual and quarterly bases, as they registered EGP4.4mn in Q4 FY22, implying a 17% YoY increase and a 76% QoQ growth over the Q4 FY21 and Q3 FY22 figures of EGP3.7mn and EGP2.5mn, respectively. Meanwhile, FY22 Asset Management Revenues came in at EGP13.3mn, corresponding to a 16% annual decrease from the previous year level of EGP15.9mn.
- The financial advisory business generated EGP0.9mn of revenues in Q4 FY22 compared with a negative figure of EGP1.4mn in Q4 FY21, as Q4 FY21 Financial Advisory Revenues were affected by the reversal of unrealized Financial Advisory Revenues. On a quarterly basis, Financial Advisory Revenues slumped 69% as opposed to the previous quarter figure of EGP2.8mn. On the other hand, on a full-year basis, the financial advisory activity showed a positive performance, increasing 16% to EGP6.5mn vs. EGP5.6mn in FY21.

- Custody Revenues registered EGP1.2mn in Q4 FY22, almost the same as the year-ago level, whereas on a QoQ basis, they dropped 46% from the EGP2.3mn figure of Q3 FY22. With regards to full-year performance, Custody Revenues gained 15%, chalking up EGP7.4mn compared with EGP6.4mn in FY21. It is noteworthy that the size of Assets under Custody chalked up a record high of EGP29.8.bn as of December 2022, corresponding to a 74% YoY upsurge and a 6% QoQ hike.

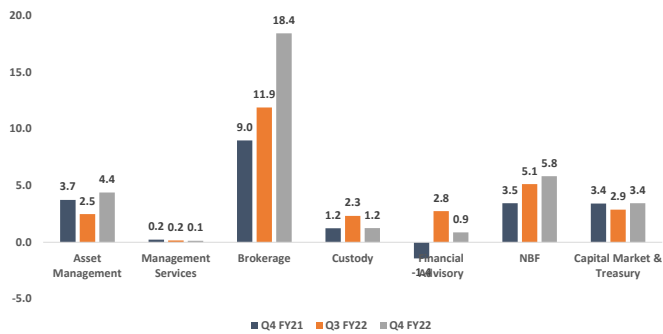


- Q4 FY22 Capital Market & Treasury Revenues plateaued YoY at EGP3.4mn, while on a quarterly basis, they added 20% over the Q3 FY22 figure of EGP2.9mn. As far as the full year is concerned, Capital Market & Treasury Revenues declined 3% to EGP11.3mn in FY22 down from EGP11.6mn in FY21.
- The NBF arm, Prime FinTech, reported EGP5.8mn of revenues during the quarter, implying a 69% YoY increase and a 14% QoQ rise. Additionally, FY22 NBF Revenues gained 59%, registering EGP17.9mn up from EGP11.3mn a year earlier.
- The abovementioned developments triggered a 75% YoY increase and a 24% QoQ growth in Q4 FY22 Consolidated Revenues, reading EGP34.3mn compared with EGP19.6mn in Q4 FY21 and EGP27.6mn in Q3 FY22. As far as full-year Consolidated Revenues are concerned, they advanced 3% to EGP103.8mn up from EGP100.6mn in the comparable period.

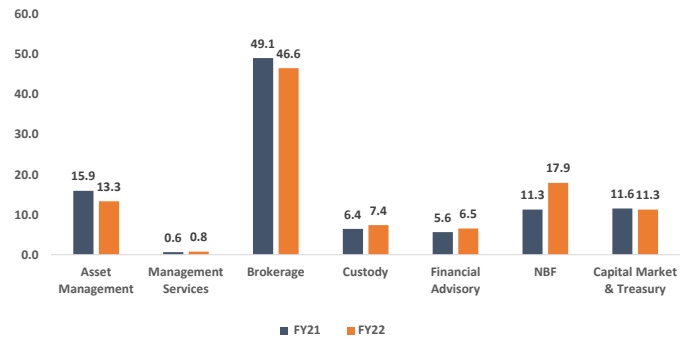
| All figures are in EGP'000 unless otherwise stated | Q4 FY22 | Q3 FY22 | Q4 FY21 | QoQ | YoY | FY21 | FY22 | YoY |
|-----------------------------------------------------|---------------|---------------|---------------|------------|------------|----------------|----------------|------------|
| Asset Management Revenues | 4,387 | 2,489 | 3,736 | 76% | 17% | 15,944 | 13,324 | -16% |
| Management Service Revenues | 132 | 159 | 232 | -17% | -43% | 631 | 758 | 20% |
| Brokerage Revenues | 18,447 | 11,892 | 8,992 | 55% | 105% | 49,126 | 46,605 | -5% |
| Custody Revenues | 1,247 | 2,322 | 1,229 | -46% | 1% | 6,438 | 7,400 | 15% |
| Financial Advisory Revenues | 861 | 2,750 | (1,431) | -69% | NA | 5,615 | 6,519 | 16% |
| Total Investment Bank Fees & Commissions | 25,074 | 19,612 | 12,758 | 28% | 97% | 77,754 | 74,606 | -4% |
| NBF Revenues | 5,826 | 5,128 | 3,450 | 14% | 69% | 11,283 | 17,948 | 59% |
| Total Fees & Commission Revenues | 30,900 | 24,740 | 16,208 | 25% | 91% | 89,037 | 92,554 | 4% |
| Capital Market & Treasury Revenues | 3,449 | 2,881 | 3,413 | 20% | 1% | 11,556 | 11,258 | -3% |
| Consolidated Revenues | 34,349 | 27,621 | 19,621 | 24% | 75% | 100,593 | 103,812 | 3% |



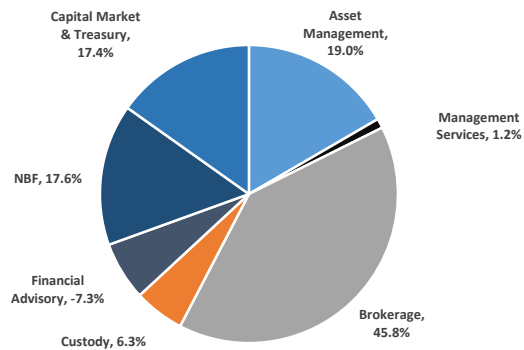
Quarterly Revenues by Activity (EGP'mn)



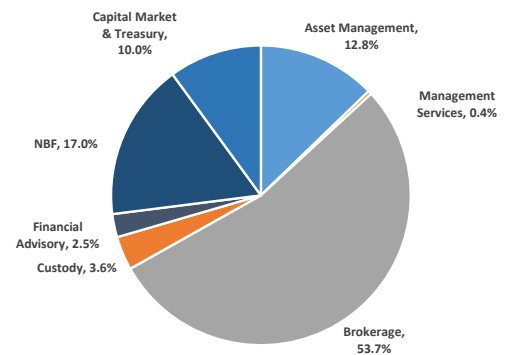
Annual Revenues by Activity (EGP'mn)



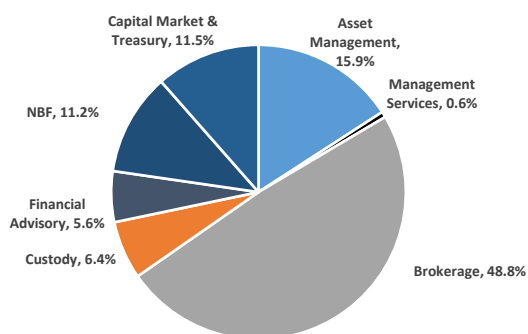
Q4 FY21 Revenue Breakdown



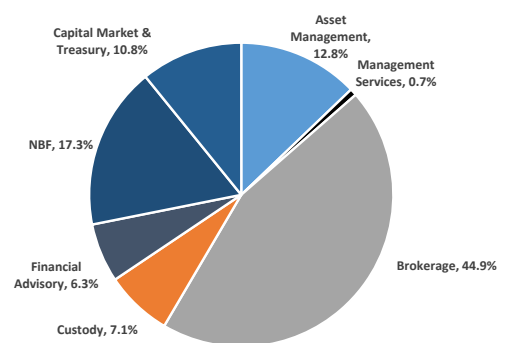
Q4 FY22 Revenue Breakdown



FY21 Revenue Breakdown



FY22 Revenue Breakdown



II. Cost Analysis

- Prime Holding maintained its cost cutting endeavors, as it continued to curb Staff Expenses and Other G&A. The said improvements coupled with Consolidated Revenue growth culminated in Operating Profits turning black for the first time in ten quarters and reduced annual Operating Losses.
- Standing at EGP30.2mn in Q4 FY22, Operating Expenses showed a YoY decrease of 7% from the Q4 FY21 figure of EGP32.6mn. This was reflected in the Operating Expenses/Revenues ratio evolving to 88% versus 166% a year earlier. On a QoQ basis, Operating Expenses declined 2%, implying a 24 pp shrinkage in the Operating Expenses/Revenue ratio.
- With respect to annual comparison, Operating Expenses contracted 15%, recording EGP122.6mn in FY22 as opposed to EGP144.4mn in FY21, leading to a decrease in the Operating Expenses/Revenues ratio to 118% down from 144%.
- Staff Expenses tumbled down 22% YoY, reading EGP15.9mn in Q4 FY22 versus EGP20.4mn in the respective quarter, reflecting in a huge decrease in the Staff Expenses/Revenues ratio, reading 46% down from 104%. On a quarterly basis, Staff Expenses exhibited a 3% QoQ increase, implying a 10 pp improvement in the Staff Expenses/Revenues ratio. As for FY22 Staff Expenses, they came in 29% lower at EGP68.1mn as opposed to EGP95.5mn in FY21, constituting 66% of Consolidated Revenues compared with 95% a year ago.
- As far as Other G&A are concerned, they dropped 24% YoY and 23% QoQ, reading EGP5.4mn as opposed to EGP7.1mn in both comparable quarters. The resultant was an Other G&A/Revenues ratio of 16% compared to 36% a year ago and 26% in the previous quarter. Throughout the year, Other G&A decreased 14% to EGP24.4mn compared with EGP28.3mn in FY21. Accordingly they made up 24% of Consolidated Revenues in FY22 versus 28% in the comparable period.

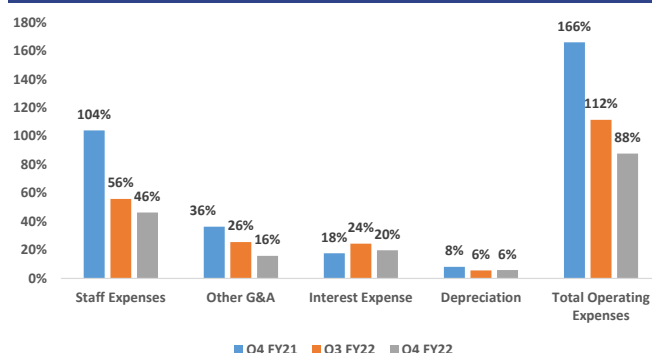
FY22 Operating Expenses

EGP122.6mn

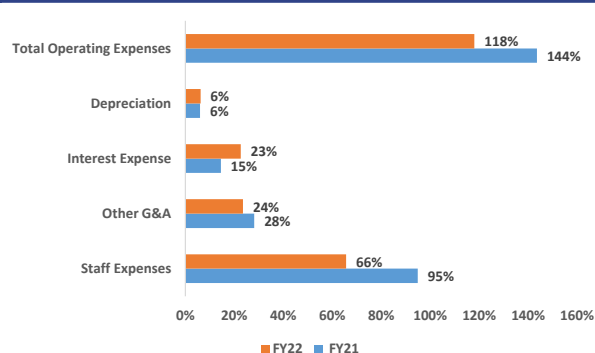
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|------------------|-----------|
| Staff | EGP68.1mn |
| Other G&A. | EGP24.4mn |
| Interest Expense | EGP23.5mn |
| Depreciation | EGP6.5mn |

| All figures are in EGP'000 unless otherwise stated | Q4 FY22 | Q3 FY22 | Q4 FY21 | QoQ | YoY | FY21 | FY22 | YoY |
|----------------------------------------------------|-----------------|-----------------|-----------------|------------|------------|------------------|------------------|-------------|
| Staff Expenses | (15,930) | (15,441) | (20,421) | 3% | -22% | (95,473) | (68,129) | -29% |
| Other SG&A | (5,440) | (7,065) | (7,125) | -23% | -24% | (28,320) | (24,446) | -14% |
| Interest Expense | (6,783) | (6,748) | (3,471) | 1% | 95% | (14,602) | (23,524) | 61% |
| Depreciation & Amortization | (1,999) | (1,549) | (1,577) | 29% | 27% | (6,027) | (6,455) | 7% |
| Operating Expenses | (30,152) | (30,803) | (32,594) | -2% | -7% | (144,422) | (122,554) | -15% |
| Operating Profits | 4,197 | (3,182) | (12,973) | NA | NA | (43,829) | (18,742) | -57% |

Operating Expenses/Revenues (Qs)



Operating Expenses/Revenues (Full Year)





III. Other Issues of Concern

- ECL was calculated according to IFRS standards at EGP2.7mn in Q4 FY22 and EGP17.2mn in FY22, while Provisions came in at EGP0.2mn in the quarter and EGP12.2mn in FY22.
- Q4 FY22 witnessed the recognition of a Goodwill Impairment in the amount of EGP12.9mn associated with Prime Capital.

IV. A Glimpse at the Balance Sheet

- Net Loans Receivables came in at a total EGP98.6mn as of December 31, 2022. The leasing business dominated the portfolio, whereas the consumer finance's contribution to the portfolio was a meager EGP0.5mn.
- Shareholders' Equity stood at EGP262.4mn (EGP0.75/Share) at the end of the quarter.
- Cash & Cash Equivalents stood at EGP150.1mn at the end of the respective period.

Activities In Focus

I. Brokerage (Prime Securities)

- Dynamic performance:** In FY22, Prime Securities boosted its executed turnover to EGP14.5bn from EGP12.5bn a year earlier. Additionally, it captured 3.2% of the market compared with 2.7% in FY21. The said developments culminated in Prime Securities moving up five notches on the Egyptian brokerage firm ranking, grabbing the 12th position in FY22.

Moreover, throughout Q4 FY22, Prime Securities' executed turnover reached EGP3.7bn, implying a 58% YoY expansion and a 32% QoQ decrease, as Q3 marked a huge activity in block trades. Furthermore, Q4 FY22 markets share stood at 2.1% versus 1.9% a year ago and 5.5% in Q3 FY22, while Q4 FY22 ranking came in at #14 compared with #17 and #7 in Q4 FY21 and Q3 FY22, respectively.

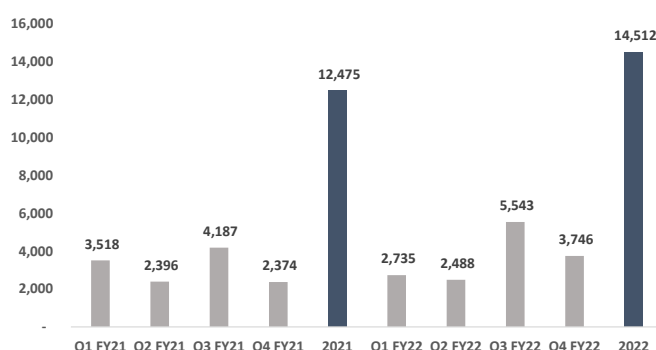
FY22 KPIs

EGP14.5bn
Executed
Value

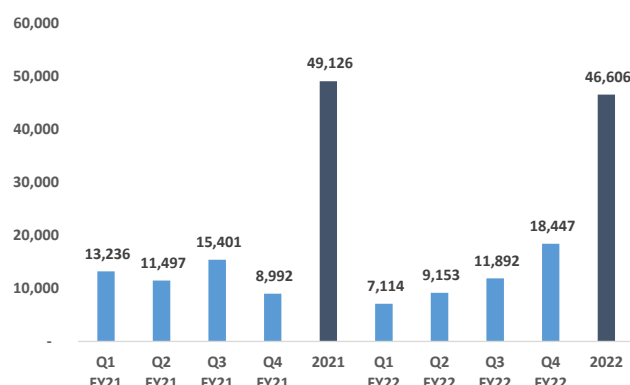
3.2%
Market
Share

12
EGX
Ranking

Quarterly Executed Turnover (EGP'mn)



Quarterly Brokerage Revenues (EGP'000)



- Major block trades:** in FY22, Prime Securities was remarkably dynamic in block trading, as it executed 20 block trades. Q4 FY22 particularly witnessed the execution of five block trades amounting to a total of EGP235mn, involving the sale of significant stakes in five firms, namely:
 - Manazel Real Estate Development
 - FutureFert for Fertilizers & Chemical Industries
 - Commercial International Bank (CIB)
 - Misr Beni Suf Cement
 - Medinet Nasr for Housing & Development
- Ending 2022 with 23 covered stocks, while making bold successful stock calls:** In Q4 FY22, Prime Research initiated coverage on Alexandria Containers & Cargo Handling [[ALCN](#)], with an audio summary published in [PRIMETalk podcast Episode No. 12](#). This brings core coverage to 23 stocks by end of 2022. In addition to the regular daily newsletters, Prime Research published 13 notes during the quarter, covering equity and technical analysis. These included a **TAKE**Stock note that was first-to-market, revisiting our view on Telecom Egypt [[ETEL](#)] on 3 November 2022 and making a bold call on the stock that has long been deeply undervalued, in our opinion. By end of 2022, ETEL's stock rallied 35% afterwards, beating the EGX 30 index which rose only 30% over the same time period. A summary of this note was also published in [PRIMETalk podcast Episode No. 9](#).

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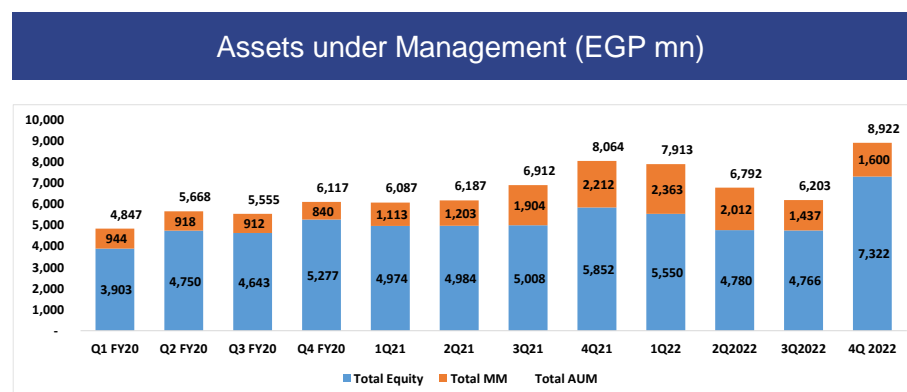
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II. Asset Management (Prime Investments)

- **AUM's on the rise:** AUM's grew by a solid 11% YoY, reaching EGP8,922mn as of December 31, 2022 compared to EGP8,064mn a year earlier. The increase is attributed to equity mandates adding a handsome 25%, while money market funds were affected by high-interest-rate CDs continuing to lure in retail investors and big corporates benefiting from high bank overnight rates.

Over the last quarter of FY22, Prime investments AUM's rose 44% up from EGP6,203mn as of September 2022, mirroring a 54% upsurge in equity AUMs and an 11% spike in money market AUMs.



- **New funds launched :** FY22 witnessed the launch of two fresh money-market funds by Prime Investments:
 - On July 1, 2022, Prime Investments launched a new money market fund, Amman Youm bi Youm, with Amman Micro Finance. The aforementioned fund was fully subscribed on July 19, 2022.
 - In Q1 FY22, Prime Investments was mandated a new money market fund with a size of EGP25mn from GIG Insurance. The aforementioned fund was launched and fully subscribed in May 2022.



III. Investment Banking (Prime Capital)

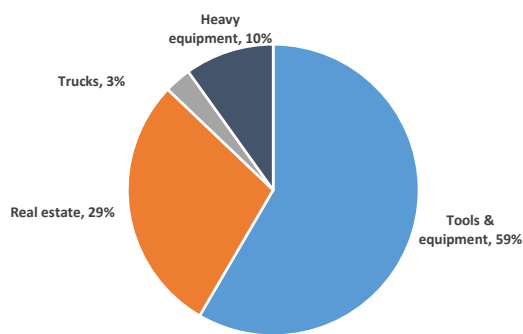
- **Closed transactions:** FY22 marked the successful closing of a couple of transactions by Prime Capital, including the deals hereunder:
 - I. Prime Capital acted as the exclusive financial advisor to the LimeVest-Tawasol Consortium that acquired a majority stake in Alexandria Medical Services (AMES) in a deal worth EGP928.7mn, bringing the consortium's stake in AMES to 96%.
 - II. Prime Capital sealed an important transaction, whereby LCP Fund II completed the acquisition of a significant minority stake in ECC Group. Prime Capital acted as the exclusive financial advisor to the seller. ECC Group is a specialized contract manufacturer and brand owner operating in the cosmeceutical and personal care industries, led by two industry veterans with over 20 years of experience. ECC's product portfolio includes creams, lotions, gels, wax, and soaps used for skincare, haircare, bath and body, and cosmetics. ECC offers its customers a one-stop-shop, providing them with product development, product registration, product design, packaging and raw material sourcing, manufacturing, warehousing and filling. The group has been able to grow rapidly over the years, supported by longstanding relationships with leading cosmeceutical and personal care brands. ECC Group's brands include Infinity, one of the fastest growing cosmeceutical players in Egypt as well as Bobana and HairDo which focus on commercial haircare and skincare products.
- **Noticeable activity in IFA reports:** Prime Capital was engaged by a handful of clients to provide IFA reports in FY22. The companies involved span the insurance and logistic sectors, which are covered for the first time by Prime Capital's IFA team, in addition to the real estate sector.



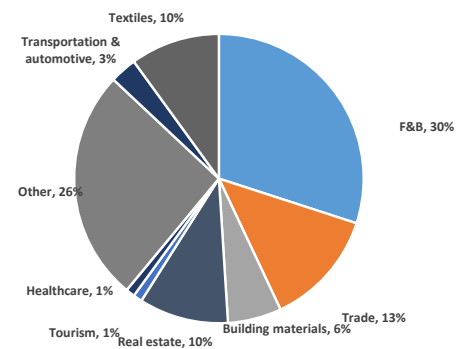
IV. Non-Banking Financial Services (Prime FinTech)

- **Leasing portfolio:** As of December 2022, tools & equipment made up the bulk of the leasing portfolio with a 59% contribution, followed by real estate making up 29%. In terms of sector diversification, the food & beverages sector topped the list with a 30% contribution, followed by the trade sector constituting 13%, and the real estate and textiles sectors each representing 10%.

Leasing Portfolio by Type of Asset



Leasing Portfolio by Sector



Consolidated Income Statement

| All figures are in EGP'000 unless otherwise stated | Q4 FY22 | Q3 FY22 | Q4 FY21 | FY21 | FY22 |
|----------------------------------------------------------------|-----------------|-----------------|-----------------|------------------|------------------|
| Asset Management Revenues | 4,387 | 2,489 | 3,736 | 15,944 | 13,324 |
| Management Service Revenues | 132 | 159 | 232 | 631 | 758 |
| Brokerage Revenues | 18,447 | 11,892 | 8,992 | 49,126 | 46,605 |
| Custody Revenues | 1,247 | 2,322 | 1,229 | 6,438 | 7,400 |
| Financial Advisory Revenues | 861 | 2,750 | (1,431) | 5,615 | 6,519 |
| Total Investment Bank Fees & Commissions | 25,074 | 19,612 | 12,758 | 77,754 | 74,606 |
| NBF Revenues | 5,826 | 5,128 | 3,450 | 11,283 | 17,948 |
| Total Fees & Commission Revenues | 30,900 | 24,740 | 16,208 | 89,037 | 92,554 |
| Capital Market & Treasury Revenues | 3,449 | 2,881 | 3,413 | 11,556 | 11,258 |
| Consolidated Revenues | 34,349 | 27,621 | 19,621 | 100,593 | 103,812 |
| Staff Expenses | (15,930) | (15,441) | (20,421) | (95,473) | (68,129) |
| Other SG&A | (5,440) | (7,065) | (7,125) | (28,320) | (24,446) |
| Interest Expense | (6,783) | (6,748) | (3,471) | (14,602) | (23,524) |
| Depreciation & Amortization | (1,999) | (1,549) | (1,577) | (6,027) | (6,455) |
| Operating Expenses | (30,152) | (30,803) | (32,594) | (144,422) | (122,554) |
| Operating Profits | 4,197 | (3,182) | (12,973) | (43,829) | (18,742) |
| Provisions | (150) | (4,983) | - | (2,500) | (12,186) |
| Expected Credit Loss | (2,738) | (12,721) | (8,713) | (9,613) | (17,150) |
| Goodwill Impairment | (12,900) | | | | (12,900) |
| Other Income (Expenses) | 3,449 | 459 | 358 | 1,960 | 5,149 |
| Net Profits before Tax | (8,142) | (20,427) | (21,328) | (53,982) | (55,829) |
| Taxes | (1,852) | (344) | (232) | (2,340) | (2,511) |
| Net Profits after Tax | (9,994) | (20,771) | (21,560) | (56,322) | (58,340) |
| Minority Interest | (57) | (74) | (113) | (304) | (359) |
| Net Profits after Unusual Items & Minority Interest | (10,051) | (20,845) | (21,673) | (56,626) | (58,699) |



Consolidated Balance Sheet

| All figures are in EGP 000 | 31-Dec-21 | 30-Sep-22 | 31-Dec-22 |
|-----------------------------------------------------|----------------|------------------|----------------|
| Cash & Cash Equivalents | 68,992 | 715,924 | 150,091 |
| Receivables | 114,687 | 118,222 | 99,157 |
| Loans Receivables | 22,143 | 42,121 | 35,889 |
| Sundry Current Assets | 12,563 | 10,443 | 12,459 |
| Total Current Assets | 218,385 | 886,710 | 297,596 |
| Loans Receivables | 63,995 | 77,290 | 62,669 |
| Net Fixed Assets | 62,322 | 59,162 | 59,969 |
| Goodwill | 220,156 | 220,156 | 207,256 |
| Contribution to Settlement Guarantee Fund | 3,570 | 2,838 | 2,291 |
| Investments | 1,940 | 1,940 | 1,940 |
| Total Non-Current Assets | 351,983 | 361,386 | 334,125 |
| Total Assets | 570,368 | 1,248,096 | 631,721 |
| Short-Term Loans | 76,358 | 100,322 | 71,355 |
| Customers Credit Accounts | 49,494 | 703,481 | 118,357 |
| Long-Term Loans | 67,542 | 83,039 | 75,451 |
| Lease Obligation | 30,000 | 30,223 | 31,470 |
| Sundry Liabilities | 17,971 | 45,824 | 59,810 |
| Total Liabilities | 241,365 | 962,889 | 356,443 |
| Provisions | 5,506 | 10,705 | 10,772 |
| Minority Interest | 2,001 | 2,034 | 2,091 |
| Total Shareholders' Equity | 321,496 | 272,468 | 262,415 |
| Total Liabilities & Shareholders' Equity | 570,368 | 1,248,096 | 631,721 |



Share Information

| | |
|--------------------------|----------|
| Number of shares | 350mn |
| Issued & paid-in capital | EGP350mn |
| Yearend | December |
| Reuters | PRMH.CA |
| Bloomberg | PRMH EY |

Trading Information

| | |
|----------------------------|--------------|
| Closing Price (March 2023) | EGP0.44 |
| 52-week high | EGP0.65 |
| 52-week low | EGP0.41 |
| Average daily volume | 1.4mn shares |
| Average daily turnover | EGP0.7mn |

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